BCTS

BC Timber Sales

SERVICE PLAN

2005/06 - 2007/08

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Message from the Assistant Deputy Minister

I am pleased to present the BC Timber Sales Service Plan for the three-year period from 2005/06 to 2007/08.

BC Timber Sales has a mandate to provide British Columbians with sustainable benefits from the commercial use of public forests. Since its full implementation on April 1, 2003, BC Timber Sales has had strong performance in achieving its strategic goals and business targets. Over this two-year period, the organization had significant accomplishments in the planning and development of timber, and selling volumes through auction on the open market. Business target achievements have been due, in large measure, to the remarkable efforts of staff. From the outset, staff has demonstrated a high level of professionalism and commitment to helping BC Timber Sales attain its mandate.

Our new Service Plan builds on the results achieved over the past 24 months and provides a solid foundation for managing the challenges and opportunities associated with the volumes of Annual Allowable Cut being reallocated to BC Timber Sales from replaceable licences held by major licensees. With this increased volume of timber, BC Timber Sales is supporting government's forestry revitalization goal of having more logs from public forests available for purchase on the open, competitive market. This increased volume of timber, along with the continued implementation of our Resource Management and Cost Accounting systems, will lead to attaining the key strategic goal of BC Timber Sales being a credible source of cost and price information to promote fair pricing of Crown timber.

The transfer of timber is well underway in the Northwest and on the Coast, with the reallocation of timber in the Interior operating areas to occur over the next year or so. Our experience in the Northwest and on the Coast will assist in preparing for the ongoing timber reallocation initiative in the Interior. To meet the operational and business challenges associated with the increased timber volumes, we are developing management strategies to ensure our business goals are achieved. While our targets for volumes developed, offered and sold are the highest to date for BC Timber Sales and its predecessor the Small Business Forest Enterprise Program, we are confident in our ability to attain our Service Plan goals.

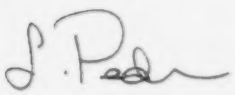
The projected increase in sales activity will present opportunities to develop new business protocols and relationships, and to continue making improvements in present business practices. As we adjust to operational and business changes in the coming year, we will be focusing on quality assurance and enhanced customer relations.

Within the context of selling increased volumes, we face the challenges and opportunities associated with cost effectively implement-

ing our strategic goals, while meeting important resource stewardship objectives. To help achieve our Service Plan strategies, we are projecting that, by March 31, 2006, almost all BC Timber Sales operating areas will be certified under the International Organization for Standardization (ISO 14001). We are also developing a strategy to move forward with sustainable forest management certifications, although we have yet to set a firm goal of the specific systems to apply and the associated timeframes. By the end of 2005, a significant proportion of BC Timber Sales operations is projected to be authorized under Forest Stewardship Plans as defined in the Forest and Range Practices Act.

In combination, all of these things support BC Timber Sales in being a high-performing organization that is well positioned as a sound forest manager delivering significant volumes of timber to the market, while ensuring effective business, operational and benchmarking practices as a reference point for costs and pricing.

We are proud of our accomplishments to date as a new organization and look forward to delivering on the commitments set out in our 2005-2008 Service Plan.



Larry Pedersen, RPF

VISION

To be an effective timber marketer generating wealth through sustainable resource management.

MISSION

To market Crown timber to establish market price and capture the value of the asset for the public.

Organizational Overview

BC Timber Sales is an autonomous organization within the Ministry of Forests, with financial and operational independence from regional and district operations. The program has an integral role in the implementation of government's Forestry Revitalization Plan and supports the ministry's goal of providing British Columbians with sustainable benefits from the commercial use of public forests.

BC Timber Sales provides these benefits by planning and developing, and selling through auction a substantial and representative portion of the province's annual available timber volume. The bid prices received from auctioned timber drive the Market-based Pricing System for setting stumpage in coastal operating areas of the province. Market-based pricing is also planned for interior operating areas. Over time, the program's costs of developing timber will also provide data for the Tenure Obligation Adjustment, contributing another integral part of the pricing system.

Despite its operational and financial independence, BC Timber Sales remains a proud part of the Forest Service and maintains mutually productive and beneficial relations with all other parts of the Ministry of Forests.

Vision: To be an effective timber marketer generating wealth through sustainable resource management.

Our vision means that we:

- have skilled, motivated, proud and loyal employees;
- have and continue to seek, efficient, effective and innovative business practices with a committed focus;
- are respected managers of public forests;
- are an integral part of the B.C. economy; and
- optimize opportunities from B.C. forests for our customers.

Mission: To market Crown timber to establish market price and capture the value of the asset for the public.

In the pursuit of our mission, we value:

- Honesty & Integrity
- Accountability
- Forest Stewardship

Plan in Brief

This first organizational Service Plan for BC Timber Sales outlines the planned goals, objectives, strategies, outputs and resources for the three years 2005/06 through 2007/08. The Resource Summary section also provides comparative data for 2003/04 and 2004/05, with figures for the latter fiscal year being targets. The plan is dynamic in that it will be updated and revised annually, with a new year added and the oldest year deleted. Accomplishments compared to the plan will be reported publicly in our annual Service Plan reports.

BC Timber Sales has four strategic goals:

1.0 Provide a credible reference point for costs and pricing of timber harvested from public land in B.C.

2.0 Optimize net revenue to the province, within the parameters dictated by our benchmarking mandate and sound forest management practices.

3.0 Provide opportunities for customers to purchase timber in an open and competitive market.

4.0 Be a high performing organization with skilled, motivated and proud people.

We measure our success in achieving the strategic goals through four key outcome indicators – one for each goal.

- percent of total ministry annual scaled timber volume attributable to BC Timber Sales Section 20 auction sales;
- net revenue;
- the volume of timber offered for sale; and
- percent of BC Timber Sales' targeted results achieved.

BC Timber Sales has 12 objectives that support the achievement of its goals. To achieve our objectives, a number of key strategies are planned and outlined in the Service Plan. We measure success in achieving our objectives through 12 performance measures.

As this is the initial Service Plan for BC Timber Sales, some performance measures and targets were still in development or having baselines established at the time of publication. Baselines, measures and targets will be added to the plan during the year, as these are developed. For the 2006/07-2008/09 Service Plan, all performance measures will have baselines and targets set prior to the start of fiscal year 2006/07.

BC Timber Sales has four primary outputs:

- timber volume developed for sale;
- volume offered for sale;
- volume sold; and
- timber volume scaled (harvested).

Our targets for these outputs, planned operating revenues, expenses and people resources are presented in the Resource Summary of the plan.

Resource Summary

BC Timber Sales	2003/04 Actuals	2004/05 Target	2005/06 Target	2006/07 Target	2007/08 Target
		INPUTS			
		Operating Revenues and Expenses ($millions)			
Gross Revenue	$185.7	$252.9	$286.8	$333.8	$343.7
Expenses (Capitalized)	<84.7>	<131.8>	<166.1>	<229.4>	<230.0>
Net Revenue	$101.0	$121.1	$120.7	$104.4	$113.7
		Full-time Equivalents (FTEs)			
STAFF					
Full-time Equivalents (FTEs)	441	535	578	578	573
		Annual Cash Expenditures by Activity ($millions)			
Administration & Overhead	$16.2	$20.1	$23.0	$23.0	$23.0
Salaries	33.8	36.8	41.0	41.0	41.0
Planning[1]	-	4.6	6.7	5.6	5.6
Sales	23.2	29.9	43.8	33.4	33.4
Access	27.9	70.1	68.0	72.0	72.0
Silviculture	35.8	42.8	50.0	55.0	55.0
Total Expenditures (Cash)	$136.9	$204.3	$232.5	$230.0	$230.0
		OUTPUTS			
		Timber Volumes (Millions of Cubic Meters [Mm^3])			
Volume Offered (Mm^3)	11.2	11.8	14.8	16.2	16.5
Volume Sold (Mm^3)	9.0	11.5	14.3	15.8	16.0
Volume Developed (Mm^3)	12.6	12.5	16.0	17.0	17.0
Volume Scaled (Mm^3)	7.9	11.5	13.7	15.0	15.5

[1] Prior to 2004/05, Planning was included in Sales.

GOAL 1:

BC Timber Sales is a credible reference point for costs and pricing of timber harvested from public land in BC.

Goals, Objectives, Strategies and Results

GOAL 1:
BC Timber Sales is a credible reference point for costs and pricing of timber harvested from public land in BC.

Goal 1 is key to the Ministry of Forests achieving its goal of Sustainable Forest Benefits by establishing a market price for Crown timber. BC Timber Sales contributes to this ministry goal by being a credible reference point for the ministry's Market-based Pricing System for costs and pricing of timber harvested from public land in British Columbia.

Key Outcome Indicator:

Measure	2003/04 Actual/Base	2004/05 Target	2005/06 Target	2006/07 Target	2007/08 Target
Percent of volume scaled	8.3 %	13 %	16 %	20 %	20 %

Source: Revenue Branch – Harvest Billing System, Ministry of Forests

Indicator: Percent of total provincial annual scaled timber volume attributable to BC Timber Sales Section 20 auction sales. This is an indicator of BC Timber Sales' success in achieving a sufficient market presence to be a credible reference point for costs and pricing of timber harvested.

Objective 1.1: Our cost and pricing data is complete, accurate, reliable and verifiable.

For BC Timber Sales to be a credible reference point, its cost and pricing data must be complete, accurate, reliable and verifiable. To measure our success in achieving this objective, BC Timber Sales will obtain a third party audit opinion annually on the completeness, accuracy, reliability and verifiability of its cost and pricing data. The results of the audit will be reported publicly each year, beginning in 2006/07.

Measure	2003/04 Actual/Base	2004/05 Target	2005/06 Target	2006/07 Target	2007/08 Target
Audit opinion	N/A	Note 1	Note 1	Clean opinion	Clean opinion

Note 1: First external audit to be completed in 2006/07.

Strategies:

1.1.1 Work to ensure BC Timber Sales has systems and processes in place that demonstrate the accuracy, completeness, reliability and verifiability of cost and pricing data (e.g. BC Timber Sales Cost Accounting and Revenue Branch Cost Survey systems and processes)

- Substantially in place by March 31, 2005
- Fully in place by March 31, 2006

1.1.2 Have an internal audit review of the accuracy, completeness, reliability and verifiability of BC Timber Sales cost and pricing data to identify any gaps or weaknesses in systems or processes.

- Initial review complete by March 31, 2006

Objective 1.2: Others see BC Timber Sales as a credible reference point.

Accurate, complete, reliable and verifiable cost and pricing data alone are not sufficient for BC Timber Sales to be a credible reference point. It is also important that BC Timer Sales' stakeholders see the organization as credible.

Measure	2003/04 Actual/Base	2004/05 Target	2005/06 Target	2006/07 Target	2007/08 Target
Stakeholder opinion	N/A	Note 1	TBD	TBD	TBD

Source: BC Timber Sales annual survey of stakeholders

Note 1: BC Timber Sales plans to establish the base line in 2004/05 and then set targets for 2005/06 through 2007/08

Measure: Percent of stakeholders who indicate that they agree or strongly agree that BC Timber Sales is a credible reference point for costs and pricing. This is a measure of BC Timber Sales' success in communicating its credibility to others.

Strategies:

1.2.1 Develop and implement a stakeholder communication plan to inform stakeholders of BC Timber Sales' processes for ensuring the credibility of costs and pricing data, and obtain input from stakeholders.

- Plan developed by June 30, 2005 and implemented by March 31, 2006

1.2.2 Annually publish a BC Timber Sales Service Plan and Annual Service Plan Report

- First Service Plan posted to the BC Timber Sales' public website in February 2005. First Service Plan Report posted to public website in August 2005.

Objective 1.3: On average, 20 percent of the provincial Annual Allowable Cut is being auctioned by BC Timber Sales.

For BC Timber Sales' data to be credible, it is important for the volume of market transactions to be at a level sufficient to support the

Market Pricing System. Government set the objective of 20 percent of provincial Annual Allowable Cut for BC Timber Sales and introduced Bill 28 to facilitate the increased timber volumes required by BC Timber Sales to achieve this objective.

Measure	2003/04 Actual/Base	2004/05 Target	2005/06 Target	2006/07 Target	2007/08 Target
Percent of AAC auctioned by BCTS	N/A	13 %	15 %	17 %	20 %

Sources: BC Timber Sales and Resource Tenures & Engineering Branch, Ministry of Forests

Measure: Average of BC Timber Sales timber volume advertised as a percent of provincial Annual Allowable Cut. This is a measure of BC Timber Sales' achievement in advertising a sufficient volume of timber to establish credible costs and pricing.

Strategies:

1.3.1 Increase timber volume advertised and auctioned over time through the inclusion of timber reallocation volumes (Bill 28) into BC Timber Sales' operations by 2006/07.

1.3.2 Develop and implement a strategy for annual Market-based Pricing System goal setting and feedback processes between BC Timber Sales and the Revenue and Economics and Trade Branches of the Ministry of Forests to ensure the number of timber sale transactions in each timber attribute group satisfy the needs of the Ministry of Forests.

- Strategy completed by September 30, 2005

GOAL 2:

BC Timber Sales optimizes net revenue return to the province within the parameters dictated by our benchmarking mandate and sound forest management practices.

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BC Timber Sales optimizes net revenue return to the province within the parameters dictated by our benchmarking mandate and sound forest management practices.

This goal supports the provincial government and the Ministry of Forests as major contributors to the current and future economic health of the province. BC Timber Sales strives to optimize, rather than maximize net revenue. To do this, BC Timber Sales seeks a balance between generating revenues, being a credible reference point and ensuring sound forest management practices.

Key Outcome Indicator:

Measure	2003/04 Actual/Base	2004/05 Target	2005/06 Target	2006/07 Target	2007/08 Target
Net revenue (millions)	$101.0	$121.1	$120.7	$104.4	$113.7

Sources: Harvest Billing System and Corporate Accounting System, Ministry of Forests

Measure: Net revenue is a key outcome indicator of the success of BC Timber Sales in optimizing revenue return to the Province. The measure is calculated as gross revenue less capitalized expenses (inventory and silviculture costs) and period costs (e.g. administrative overhead and road maintenance).

Net revenue is projected to decrease beginning in 2005/06, when labour costs initially capitalized into inventory as of 2002/03 begin to be realized through capitalized expenses starting in 2005/06. Prior to 2002/03, BC Timber Sales' labour costs were expensed in the year they were incurred.

Objective 2.1: Our costs are contained within the parameters dictated by our benchmarking mandate.

Containing operational costs is a key part of BC Timber Sales' efforts to optimize net revenue. BC Timber Sales will contain or reduce costs within the parameters of its benchmarking mandate by tendering contracts competitively and continuously improving information for business processes and decisions.

Measure	2003/04 Actual/Base	2004/05 Target	2005/06 Target	2006/07 Target	2007/08 Target
Cost of developed timber volume ($/metre³)	N/A	$10.54	$13.90	$13.30	$12.80

Sources: MAX and Corporate Accounting System, Ministry of Forests

Measure: Average inventory cost of developed timber. This is a measure of BC Timber Sales' performance in containing costs contributing towards optimizing net revenue. Inventory costs include all costs incurred to plan, develop and sell timber. Period costs such as administrative overhead and road maintenance, and post-harvest costs such as silviculture are not part of the cost of inventory.

This was a new measure in 2004/05, replacing the previous 'average cost per cubic metre of volume sold'. The change from volume sold to volume developed is to reflect that the majority of costs are incurred during

the development of a timber sale rather than later when the sale is sold.

Key Strategies:

2.1.1 Implement and integrate the Cost Accounting and Genus Resource Management systems into program business and operational processes.

- Monitor the percent of Business Areas using the Cost Accounting and Genus systems for planning, analysis and decision support.
- The Genus and Cost Accounting systems will be fully integrated into the business and operational processes in all Business Areas by 2007/08.

2.1.2 Explore alternate methods of delivery, and identify and share financial and operational best practises and cost efficiencies through regular internal reviews, continuous improvement, working group activities and communication.

- Internally monitor and report on the number of best practices and cost savings obtained.

Objective 2.2: Auction bids are maximized, within the parameters dictated by our benchmarking mandate.

In addition to containing costs, BC Timber Sales is able to impact net revenue by increasing its gross revenue. One key to increasing revenues is maximizing the amounts our customers offer to pay for timber being auctioned. Our efforts to maximize auction bids, however, are constrained by our benchmarking mandate and Goal 1.

Measure	2003/04 Actual/Base	2004/05 Target	2005/06 Target	2006/07 Target	2007/08 Target
Average bid price (per metre³)	$38.82	$39.00	$39.50	$40.00	$40.00

Source: BCTS Admin system

Measure: Average price bid per cubic metre for Section 20 auction sales. The average bid price is a measure of the program's success in maximizing auction bids. The average bid price is the weighted average of all winning bids for timber sales advertised and sold in a year. The success of BC Timber Sales in achieving its target average bid prices may be affected by factors outside the organization's control. For example, the effects of proposed policy changes to grade rules in fiscal 2006/07 on average bid prices are unknown at this time.

[Note: Bid price differs from the average billed rate for timber harvested. Bid price is the price offered by customers for timber, while the billed rate is the average stumpage per cubic metre received by BC Timber Sales when the timber is harvested and scaled. The various grades of logs obtained by a licensee on a timber sale, as measured during scaling, impact on the revenue BC Timber Sales receives from a sale.]

Key Strategies:

2.2.1 Continue to develop Business Area annual sales schedules that:

- offer timber sales timed to integrate with industry harvest operations;
- offer sales for auction throughout the year; and
- contain timber profiles to minimize potential no bid sales, within our benchmarking constraints.

2.2.2 Reduce the licensee risk associated with timber sales by increasing the volume of sales that are fully developed over time to 90 percent of volume advertised.

Objective 2.3: Demonstrate sound forest management practices.

In its efforts to optimize net revenues, BC Timber Sales is committed to sustainable benefits and being sound forest managers. BC Timber Sales recognizes the importance of its environmental performance to its stakeholders and the public. As such, the organization is committed to demonstrating sound forest management practices and implementing a systematic approach to and continuous improvement of environmental management systems in all its Business Areas.

Measure	2003/04 Actual/Base	2004/05 Target	2005/06 Target	2006/07 Target	2007/08 Target
Certified timber volume percent	17 %	25 %	92 %	100 %	100 %

Source: Certification Registrars' Audits

Measure: Percent of BC Timber Sales' Business Areas with some form of Sustainable Forest Management certification, such as CSA, and/or an Environmental Management System, such as ISO 14001, over all or part of its operations at the end of each year. This measure is an indicator of the program's success in demonstrating sound forest management practices.

Key Strategies:

2.3.1 Implement Environmental Management Systems (e.g. ISO 14001) and/or Sustainable Forest Management certifications (e.g. CSA) in all Business Areas by March 31, 2006.

2.3.2 Implement the *Forest and Range Practices Act* and have 100 percent of the program's apportionment timber volume under approved Forest Stewardship Plans by 2006.

2.3.3 Work proactively with our customer licensees to ensure compliance with all applicable legislation, regulations and Environmental Management System and certification requirements.

2.3.4 All data are recorded in appropriate BC Timber Sales systems, which are integrated with ministry systems to ensure BC Timber Sales is able to meet all reporting obligations.

GOAL 3:

BC Timber Sales provides opportunities for customers to purchase timber in an open and competitive market.

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BC Timber Sales provides opportunities for customers to purchase timber in an open and competitive market.

This goal supports a strong forest economy and competitive forest sector. BC Timber Sales seeks a balance between providing opportunities for customers to purchase timber, generating revenues, being a credible reference point, and ensuring sound forest management practices. This goal is constrained by our benchmarking mandate and Goals 1 and 2.

Key Outcome Indicator:

Measure	2003/04 Actual/Base	2004/05 Target	2005/06 Target	2006/07 Target	2007/08 Target
Volume offered (million metres³)	11.2	11.8	14.8	16.2	16.5

Data Sources: Timber Sales Offices and MAX, Ministry of Forests

Indicator: The volume offered for sale is the gross total timber volume that BC Timber Sales offers to the market and includes all forms of tenure administered by BC Timber Sales. In addition to advertised Section 20 auction sales, volume offered includes all volume associated with forestry licences to cuts, and previously committed volumes for ongoing Section 21, 24 and 13(1.1) licences.

Unlike the measure 'the percent of total timber volume available, auctioned by BC Timber Sales', which provides statistical support for credible pricing, this output measure indicates the program's success in providing opportunities for customers to acquire timber. This measure was previously tracked internally.

Objective 3.1: Optimize program participation over time.

One key to providing opportunities in an open and competitive market is to optimize program participation. The ability of BC Timber

Sales to always achieve this objective, however, is constrained by our benchmarking mandate and achievement of Goals 1 and 2. It can also be influenced by market forces outside the control of BC Timber Sales, such as government policy direction.

Measure	2003/04 Actual/Base	2004/05 Target	2005/06 Target	2006/07 Target	2007/08 Target
Average number of bidders per sale	3.1	5.0	5.0	5.0	5.0

Source: BCTS Admin System

Measure: The average number of bidders per timber sale auctioned during the year. This is an indicator of the program's success in attracting customers to the program by providing open competitive opportunities.

Key Strategies:

3.1.1 Increase amount of program volume advertised and sold competitively in Section 20 Category Any by transforming other committed volumes into Section 20 Category Any over time.

3.1.2 Improve our bidder information systems and develop an e-based tenure marketing strategy (e-commerce initiative).

3.1.3 Reduce and/or eliminate restrictions and barriers to program participation over time, consistent with government policy direction and our benchmarking mandate.

Objective 3.2: Our customers see the timber sales that we offer as economically viable.

BC Timber Sales believes that, for timber sales to be opportunities for our customers, sales must be seen as economically viable by customers. BC Timber Sales is committed, therefore, to undertaking strategies to continuously improve the overall economic viability of the timber sales it offers to customers. Our ability to always achieve this objective, however, is constrained by our benchmarking mandate and achievement of Goals 1 and 2. It can also be influenced by market forces outside the control of BC Timber Sales such as the bark-beetle epidemic.

Measure	2003/04 Actual/Base	2004/05 Target	2005/06 Target	2006/07 Target	2007/08 Target
No bid sales (million metres³)	2.20	0.30	0.50	0.50	0.50

Data source: BCTS Admin System

Measure: No bid sales is the volume of timber advertised by BC Timber Sales that receives no customer bids. In a market characterized by a reasonable balance between supply and demand for timber, this measure is an indicator of the program's success in offering timber sales that our customers see as economically viable. No bid sales is measured in millions of cubic metres.

Key Strategies:

3.2.1 Reduce the number of no bid sales by regularly following up on each no bid sale with customers who took tender packages to determine why they chose to not bid.

3.2.2 Develop and maintain sufficient developed volume in inventory to provide flexibility in how we address market conditions and customer demand, and adjust timber sales schedules accordingly, within our benchmarking constraints.

3.2.3 Increase our capacity to perform market analysis at a program and Business Area level.

Goal 4:

BC Timber Sales is a high performing organization with skilled, motivated and proud people.

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BC Timber Sales is a high performing organization with skilled, motivated and proud people.

To achieve its first three goals and be a high-performing organization, BC Timber Sales needs employees who are skilled, motivated and proud of what they do. A high-performing organization with skilled, motivated and proud people will, with all other things being equal, achieve or exceed its output and performance targets.

Key Outcome Indicator:

Measure	2003/04 Actual/Base	2004/05 Target	2005/06 Target	2006/07 Target	2007/08 Target
Percent of targets achieved	90%	100%	100%	100%	100%

Source: BC Timber Sales output and performance targets

Indicator: Percent of BC Timber Sales targets achieved. The measure is the number of targets substantially achieved or exceeded divided by the total number of targets,

expressed as a percent. The measure is an indicator of the organization's overall level of performance.

Objective 4.1: A safe and healthy work environment..

BC Timber Sales believes that a safe and healthy work environment is a key to the safety and well being of our employees and being a high-performing organization.

Measure	2003/04 Actual/Base	2004/05 Baseline	2005/06 Target	2006/07 Target	2007/08 Target
Staff rating	N/A	71%	75%	80%	85%

Source: BC Timber Sales annual staff survey

Measure: BC Timber Sales staff rating of their work environment. The staff rating is defined as the percent of staff indicating BC Timber Sales does a good job in providing a safe and healthy work environment. The rating is an indicator of our success in providing a safe and healthy work environment for our employees.

Key Strategies:

4.1.1 BC Timber Sales actively participates in Workers' Compensation Board programs, ministry safety programs, and health and wellness activities and committees. An annual budget of $50 per full time equivalent is provided in support of staff health and wellness activities.

4.1.2 All BC Timber Sales staff receives appropriate safety training funded by the program.

4.1.3 BC Timber Sales holds a seat on the forest industry safety council promoting workplace safety in the forest sector.

Objective 4.2: Our performance management and accountability framework is effective.

The Office of the Comptroller General's Performance Management and Accountability Framework was developed to support government organizations in assessing and improving their ability to manage performance and demonstrate accountability for results. A number of well-established accountability and effectiveness frameworks were researched, with key principles and concepts drawn from these frameworks and combined with sound management practices, and then presented as a practical model using client-focused language.

The model views accountability as more than simply reporting. It emphasizes the cycle of continuous improvement and the obligation to demonstrate and take responsibility for performance in light of agreed expectations. The model consists of five integrated compo-

nents: Purpose, Service Delivery, Results, Evaluation and Revision, and Organizational Culture. The components are further defined with nine objectives relating to processes and structures that need to be in place.

Measure	2003/04 Actual/Base	2004/05 Target	2005/06 Target	2006/07 Target	2007/08 Target
Percent of framework objectives in place	N/A	Adopt Framework	80%	90%	100%

Source: Independent review by Internal Audit and Advisory Services, Office of the Comptroller General

Measure: Percent of framework objectives in place as determined by a third party review. This is a measure of the organization's success in implementing and maintaining an effective Performance Management and Accountability Framework.

Key Strategies:

4.2.1 Adopt and implement the Comptroller General-Internal Audit and Advisory Services' Performance Management and Accountability Framework for BC Timber Sales.

4.2.2 Engage Internal Audit & Advisory Services to undertake a Performance Management and Accountability review in 2005/06 to identify areas for improvement.

Objective 4.3: People see BC Timber Sales as a fulfilling place to work.

Motivated and proud people are key to a healthy organizational culture and being a high performing organization. BC Timber Sales believes that it is important for its employees to see it as a fulfilling place to work and are proud of the organization, each other and our accomplishments.

Measure	2003/04 Actual/Base	2004/05 Baseline	2005/06 Target	2006/07 Target	2007/08 Target
Staff satisfaction index	N/A	61.5	65	70	75

Source: BC Timber Sales annual staff survey

Measure: Index of staff satisfaction. The index is an average rating score based on staff responses to various questions on appreciation, recognition and the extent to which BC Timber Sales is a fulfilling place to work. The Staff Satisfaction Index is a measure of our success towards ensuring BC Timer Sales is a fulfilling place to work.

Key Strategies:

4.3.1 Ensure all BC Timber Sales employees have Employee Performance and Development Plans (EPDPs) in place by March 31, 2005. Review and update plans on an annual basis.

4.3.2 Implement the ministry's Road Ahead initiative and periodically monitor and report on results.

4.3.3 Build a culture of rewards and recognition within BC Timber Sales. Monitor and report annually on rewards and recognition activities.

Objective 4.4: Learning and innovation are part of our organizational culture.

BC Timber Sales believes that having an organizational culture that fosters continuous learning and innovation is a building block to having skilled people and a high performing organization.

Measure	2003/04 Actual/Base	2004/05 Baseline	2005/06 Target	2006/07 Target	2007/08 Target
Learning & innovation index	N/A	63	65	70	75

Source: BC Timber Sales annual staff survey

Measure: The staff learning and innovation index is a measure of the program's success in fostering an environment of learning and innovation. The index is an average rating score based on staff results to questions on empowerment, innovation and learning.

Key Strategies:

4.4.1 Integrate empowerment and innovation into Employee Performance and Development Plan objectives and strategies at all levels within BC Timber Sales. A staff survey will annually measure the integration of empowerment and innovation in Employee Performance and Development Plans.

4.4.2 Implement the BC Timber Sales Learning Strategy and work with staff to ensure all staff has learning plans in place where appropriate. Annual staff survey will be used to monitor success of the learning strategy.

4.4.3 Through the Continuous Improvement Core Team and cross-representational working groups, BC Timber Sales will undertake continuous improvement initiatives to improve the effectiveness of priority business processes.

Appendix 1: Strategic Context

BC Timber Sales has a significantly different mandate than its predecessor program, the Small Business Forest Enterprise Program (SBFEP). The SBFEP marketed timber for a variety of economic, financial and social purposes. In 2001, the Ministry of Forests was directed by government to make the SBFEP more effective and put it on a commercial footing.

Implementation of new government forest policy and organizational changes, resulting from the Core Services Review outcomes, have been a central focus of the Ministry of Forests over the last couple of years. Over this period, BC Timber Sales responded to its changed mandate by re-establishing itself as a lean, focused and largely autonomous unit inside the ministry. Its operations were previously intertwined with the ministry's Operations Division. Established as BC Timber Sales in April 2003 and as its own division in the fall of 2004, BC Timber Sales is still in its formative years. As a young organization, it experiences the challenges and opportunities associated with early development.

More than 500 employees located throughout the province deliver the program. A small headquarters unit in Victoria provides central direction and support. A high proportion of the program's work (roughly 70 percent) is contracted out, allowing the organization to deliver more timber volume to the market with substantially fewer people than other parts of government.

BC Timber Sales has a commercial orientation that aligns with the province's Forestry Revitalization Plan, which is a market-driven strategy to increase competition in the forest sector and enhance the vitality of the British Columbia forest industry. To support market-based pricing and sector revitalization, the program's proportion of the annual available timber volume is increasing. The volume of timber managed by the program will increase over time from its current level of 13 percent of the provincial harvest to 20 percent, as volume is reallocated from other tenure holders to BC Timber Sales through the Forestry Revitalization Plan (Bill 28). Additional volumes will also be allocated to the program to retain proportions as the provincial Annual Allowable Cut (AAC) increases due to beetle-related uplifts and other initiatives.

The program's role in supporting market-based pricing requires it to competitively sell virtually all of its timber. While competition for some timber offered is currently restricted, a key program objective is to eventually offer all timber through unrestricted auction.

Net Revenue Model

To better match revenues with costs and present an accurate measure of profitability, BC Timber Sales operates using a net revenue model where gross revenue less capitalized expenses equal net revenue. This means that expenditures incurred to develop timber for sale in a given year are capitalized into inventory. As sold timber is harvested and scaled by licensees, usually in a subsequent year, the costs related to that timber are removed from inventory on a 'first-in – first-out' basis and expensed along with any period and silviculture costs as the cost of goods sold (capitalized expenses). This produces a timing difference between cash expenditures and reported expenditures in any given year.

In the Resource Summary, cash expenditures, capitalized expenses and net revenue are shown to illustrate the profitability of the program as well as the impact of issues and decisions on cash flow. It is important to note that the change in accounting estimate in 2002/03, to capitalize labour costs into inventory, created a timing difference that will have a significant impact on net revenue beginning in 2005/06. Prior to 2002/03, labour costs were expensed in the year incurred. Starting in 2005/06, labour costs that were capitalized in 2003/04 and 2004/05 begin to be expensed as cost of goods sold.

Opportunities

- The current strong price and demand for forest products on the coast, combined with the commercial orientation of BC Timber Sales, mean the program is well positioned to generate strong returns for the province, while continuing to support market-based pricing and offering open and competitive access to timber.
- Reallocation of timber volumes to the program increases the available volume that BC Timber Sales can develop and sell to meet demand and increase its share of available timber volume toward the 20 percent target set by government.
- Increasing investment in oriented strandboard capacity in the northeast area of British Columbia will increase demand for deciduous timber volume and present opportunities to generate further net revenue returns to the province.
- The significant size of BC Timber Sales, as a developer of standing timber, allows the organization to achieve economies of scale and leverage rates on the large volume of work that it contracts out. Such efficiencies contributed to significant budget savings in 2004/05 that will flow through as an increase to net revenue in 2006/07.

- BC Timber Sales has skilled, motivated and committed people, who continue to demonstrate their abilities to innovate and achieve results.

Challenges

BC Timber Sales faces a number of challenges beside those associated with establishing a new business model and implementing major new computer systems and business processes. Many of the challenges relate to the transfer of timber volume under the Forestry Revitalization Plan and the large amount of provincial timber now affected or likely to be affected by the mountain pine beetle epidemic. The following are some of the significant challenges facing the program.

- The timing and integration of forestry revitalization pricing volumes, including geographic issues, such as accommodating BC Timber Sales' operations in the traditional operating areas of major licensees may have adverse impacts on fibre supply continuity.
- Issues related to purchase and acquisition of assets associated with Bill 28 volumes required by BC Timber Sales may have adverse impacts on net revenue, market-based pricing and general ministry stumpage revenue.
- Additional timber volumes that may potentially be directed to the program, due to AAC uplifts from beetle-killed or fire-killed wood, will have financial and capacity implications for BC Timber Sales. In 2004/05, BC Timber Sales was already experiencing some excess supply in beetle management areas, thereby adversely impacting on the demand for timber sales in those areas.
- The impact of large new volumes of beetle-killed timber or other timber on log markets in excess or in advance of processing capacity and the resulting demand may have adverse impacts on demand and prices for BC Timber Sales' timber.
- There are increasing costs to timber development associated with certification requirements, new land-use planning requirements, access costs in more difficult terrain and strategies to reduce bidder risk and increase auction bids by decreasing amounts of development work required by licensees.
- An uneven allocation of timber volumes throughout the province, with relatively large volumes in lower demand areas (beetle areas) and smaller volumes in high demand areas (southern coast), will create supply and demand imbalance within BC Timber Sales' annual timber volume offered for sale.

- *Increasing staff workload associated with support of the* Resource Management Information System (Genus), dealing with stakeholder expectations and the integration of our cost accounting system and processes with existing government systems are creating pressures on the organization.

Appendix 2: Glossary

Bid Price — The average winning bid per cubic metre of timber obtained during auctions of Section 20 Timber Sale Licences.

Billed Rates — The average revenue obtained per cubic metre of timber harvested and scaled.

Capitalized Expenses — The total costs associated with developing and selling the timber harvested in the year, post-sale activities such as harvest conformance, post-harvest activities such as silviculture, and period costs such as administrative overhead and road maintenance.

Cash Expenditures — The costs of developing and selling timber inventory for future harvest plus, post-harvest activities such as silviculture, and period costs such as administrative overhead and road maintenance.

Certification — The process of identifying forest products as those produced by organizations whose forest practices or management systems meet a set of defined voluntary certification standards, based upon independent assessments. Certification is intended to assure companies and consumers, domestically and globally, that the forest products they purchase come from well-managed forests.

Customers — The individuals and/or companies that are registered in the program

Full-time Equivalent (FTE) — The equivalent of one person working 1,827 hours in one year.

Goals — Goals are the ends that BC Timber Sales wants to achieve in fulfilling its mandate and mission. Goals are long-range outcomes that guide an organization's efforts in moving towards a desired future state.

Gross Revenue — The sum of all BC Timber Sales revenue collected from stumpage and annual fees and billings (annual rent, trespass charges, scaling fees and registration fees) incidental to the operation of the program and sale of logs.

Inputs — The resources used by the organization to produce its outputs. The key inputs of BC Timber Sales are its employees , public forests, and the organization's financial, contracted and partnership resources.

Key Outcome Indicators — Key outcome indicators represent key results related to an organization's goals, which often are not directly attributable to its business activities.

Mission — Describes the reason for BC Timber Sales' existence. It defines what BC Timber Sales does, why it does it and for whom.

Net Revenue — The remainder of Gross Revenues less Capitalized Expenses.

Objective — A broad time-phased accomplishment required to realize the successful completion of a strategic goal. Objectives are specific statements about desired business results.

Outcomes — Long-term results of the activities and outputs of the organization. Logic models are used to link outcomes to business activities.

Outputs — The deliverables or products produced by the organization. The key outputs of BC Timber Sales are the volumes developed, offered, sold and harvested (scaled).

Performance Measures — Measurable factors of significant importance to the organization in achieving the strategic goals and objectives. A performance measure is a quantified, time specific measure used to indicate the degree of success the ministry has in achieving its goals, objectives and strategies.

Strategies — The activities that, by their implementation, will lead to the achievement of an objective.

Targets — Performance targets express pre-set quantifiable performance levels to be attained at a future date.

Upset Price — The lowest price acceptable for the value of the timber.

Values — An expression of BC Timber Sales' core principles and fundamental beliefs that inform the organization's management style, organizational principles and rules of personal and organizational behaviour.

Vision — A clear, concise and compelling picture of the organization's preferred future.

Volume Advertised — The timber volume advertised for auction by BC Timber Sales.

Volume Developed — The volume of timber developed as inventory for sale by BC Timber Sales.

Volume Managed — The total volume of timber being managed by BC Timber Sales. In addition to Section 20 Auction Timber Sale Licences, this includes volumes associated with legacy tenure types awarded by the Small Business Forest Enterprise Program that are still being managed by BC Timber Sales (e.g. Section 21 Bid Proposal Sales and Non-replaceable Forest Licences).

Volume Offered — The timber volume offered for sale to customers.

Volume Scaled — The volume of timber harvested by BC Timber Sales' licensees.

Volume Sold — The volume of timber sold through competitive auctions to BC Timber Sales Customers.

For more information on BC Timber Sales
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